

Village of Milford, Michigan

**Financial Report
with Supplemental Information
June 30, 2008**

Village of Milford

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Independent Auditor's Report

To the Village Council
Village of Milford, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Milford, Michigan (the "Village") as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Village of Milford, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Milford, Michigan as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Village Council
Village of Milford, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Milford, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

September 10, 2008

Village of Milford

Management's Discussion and Analysis

Our discussion and analysis of the Village of Milford, Michigan's (the "Village") financial performance provides an overview of the Village's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Village's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The full accrual statements include the statement of net assets and the statement of activities, which provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds. The fiduciary fund statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

The Village as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current assets	\$ 5,023	\$ 4,446	\$ 1,443	\$ 1,268	\$ 6,466	5,714
Noncurrent assets	11,226	10,241	12,236	12,514	23,462	22,755
Total assets	16,249	14,687	13,679	13,782	29,928	28,469
Liabilities						
Current liabilities	680	324	228	155	908	479
Long-term liabilities	1,784	1,900	3,575	3,810	5,359	5,710
Total liabilities	2,464	2,224	3,803	3,965	6,267	6,189
Net Assets						
Invested in capital assets -						
Net of related debt	9,544	8,552	8,661	8,704	18,205	17,256
Restricted	3,366	3,355	-	-	3,366	3,355
Unrestricted	875	556	1,215	1,113	2,090	1,669
Total net assets	<u>\$ 13,785</u>	<u>\$ 12,463</u>	<u>\$ 9,876</u>	<u>\$ 9,817</u>	<u>\$ 23,661</u>	<u>\$ 22,280</u>

Village of Milford

Management's Discussion and Analysis (Continued)

As of June 30, 2008, the Village's combined net assets increased by 6.2 percent from a year ago, from approximately \$22,280,000 to \$23,662,000. As we look at the governmental-type activities separately from the business-type activities, we can see that governmental-type activities increased by 10.6 percent. The increase from the prior year is due to a grant to construct the Peters Road Bridge. Business-type activities increased less than 1 percent from the prior year. This increase from the prior year is due to an increase in capital contributions and connections fees resulting from development within the Village.

Unrestricted net assets of the governmental-type activities, the part of net assets that can be used to finance day-to-day operations, is \$875,000 or 12.5 percent of expenditures.

The following table shows the changes of the net assets during the current year (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue						
Program revenue:						
Charges for services	\$ 3,545	\$ 3,333	\$ 1,288	\$ 1,250	\$ 4,833	\$ 4,583
Operating grants and contributions	447	460	3	4	450	464
Capital grants and contributions	1,535	80	744	547	2,279	627
General revenue:						
Property taxes	1,856	1,804	-	-	1,856	1,804
State-shared revenue	545	544	-	-	545	544
Unrestricted investment earnings	239	251	50	53	289	304
Franchise fees	96	74	-	-	96	74
Miscellaneous	36	33	-	-	36	33
Gain on sale of fixed assets	5	24	-	-	5	24
Transfers	7	7	(7)	(7)	-	-
Total revenue	8,311	6,610	2,078	1,847	10,389	8,457
Program Expenses						
General government	812	915	-	-	812	915
Public safety	3,050	2,843	-	-	3,050	2,843
Public works	1,287	1,250	-	-	1,287	1,250
Highways, streets, and bridges	1,260	1,207	-	-	1,260	1,207
Parking improvements	43	37	-	-	43	37
Downtown Development Authority	294	199	-	-	294	199
Transportation	169	98	-	-	169	98
Interest on long-term debt	74	77	-	-	74	77
Water and sewer	-	-	2,019	1,986	2,019	1,986
Total program expenses	6,989	6,626	2,019	1,986	9,008	8,612
Change in Net Assets	\$ 1,322	\$ (16)	\$ 59	\$ (139)	\$ 1,381	\$ (155)

Village of Milford

Management's Discussion and Analysis (Continued)

Governmental Activities

The Village's total governmental revenues increased, primarily because of increased property tax revenue generated by the Township-wide police millage and a grant to construct the Peters Road Bridge. General Fund expenditures for general government decreased due to a combination of decreased attorney fees from the resolution of a lawsuit relating to the landfill, and a decrease in the planning consultant expense for the creation of a joint Village/Township master plan. Public safety expenditures increased primarily due to accelerated funding of unfunded pension and retiree healthcare liabilities.

Business-type Activities

The Village's business-type activities consist of the activity in the Water and Sewer Fund. We provide water to residents and provide sewage treatment through a Village-owned and operated sewage treatment plant. Water usage fluctuates from year to year, largely based on how hot and dry the summer months are. In 2007-2008, the Village billed residents approximately 6,000,000 gallons (or 2.8 percent) less water than in the prior year. The Water and Sewer Fund experienced an operating loss of \$610,231 in 2007-2008; of this amount, \$634,108 was due to depreciation expense, which is a noncash item. In addition, the Village also earned approximately \$50,000 in interest income which can be used for operating expenses. After adjusting for these items, there was no loss for the year.

The Village's Funds

Our analysis of the Village's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for 2008 include the General Fund, the Major Street Fund, and the Police Fund.

The General Fund pays for most of the Village's governmental services, the most significant of which is public works, with expenses of \$1,299,868 in 2007-2008. The Police Fund pays the majority of public safety costs for both the Village and the Township, utilizing the receipts from a Township-wide millage to fund services. The Major Street Fund used its reserves toward the construction of the Peters Road Bridge.

Village of Milford

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget to take into account events during the year. Several significant amendments were due to the delay of construction of the Milford Trail; the original project revenue was budgeted at \$402,000 and the amended budget was \$25,000; due to the construction delay, there was no actual revenue or expense. Another amendment was for the replacement of a dump truck which was destroyed by fire during the fiscal year. The Village originally budgeted \$1,000 for capital outlay and the budgeted amount was subsequently amended to \$41,000. Fringe benefits throughout the General Fund were decreased by approximately \$21,000 to reflect a change in healthcare benefits provided by employees.

Capital Asset and Debt Administration

At the end of 2007-2008, the Village had approximately \$23,121,000 invested in capital assets that include buildings, public works and police equipment, streets, sidewalks, parking lots, bridges, water and sewer lines, water towers, and water and sewer treatment plants. The Village completed \$1,647,000 of bridge improvements during the year.

No debt was issued in 2007-2008.

Economic Factors and Next Year's Budgets and Rates

The Village's budget for next year is based on 5.496 mills in property tax rates, which is the same rate as the prior year. In addition, the Downtown Development Authority levied 1.747 mills in its district; this was the same rate that was levied the prior year.

Wastewater rates were scheduled to increase as of July 1, 2008 in the amount of 13 cents per thousand gallons of water usage and the debt charge decreased 7 cents. This is an overall increase in combined water/wastewater rates of less than 1 percent.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the treasurer's office.

Village of Milford

Statement of Net Assets June 30, 2008

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 4,589,855	\$ 819,443	\$ 5,409,298
Receivables:			
Customers	63,574	617,322	680,896
Interest	33,245	5,238	38,483
Other	56,246	-	56,246
Due from other governmental units	151,143	-	151,143
Prepaid costs and other assets	128,557	1,272	129,829
Capital lease receivable	81,047	-	81,047
Net pension asset	206,464	-	206,464
Investment in joint venture (Note 10)	53,602	-	53,602
Capital assets - Net (Note 4):			
Depreciated	8,234,105	12,074,112	20,308,217
Nondepreciated	2,651,169	162,000	2,813,169
Total assets	16,249,007	13,679,387	29,928,394
Liabilities			
Accounts payable	489,467	113,598	603,065
Accrued and other liabilities	124,690	114,475	239,165
Due to other governmental units	65,499	-	65,499
Noncurrent liabilities (Note 6):			
Due within one year	388,948	235,000	623,948
Due in more than one year	1,394,917	3,340,000	4,734,917
Total liabilities	2,463,521	3,803,073	6,266,594
Net Assets			
Invested in capital assets - Net of related debt	9,543,654	8,661,112	18,204,766
Restricted:			
Refuse collection	6,009	-	6,009
Streets and highways:			
Major streets	10,657	-	10,657
Local streets	5,236	-	5,236
Police	2,908,778	-	2,908,778
Drug law enforcement	13,203	-	13,203
Downtown development	278,730	-	278,730
Parking improvement and maintenance	100,858	-	100,858
Transportation - Senior van	41,716	-	41,716
Brownfield redevelopment	1,231	-	1,231
Unrestricted	875,414	1,215,202	2,090,616
Total net assets	<u>\$ 13,785,486</u>	<u>\$ 9,876,314</u>	<u>\$ 23,661,800</u>

Village of Milford

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 811,893	\$ 215,630	\$ 8,086	\$ -
Public safety	3,049,729	3,252,344	11,252	-
Public works	1,286,974	-	-	-
Highway, streets, and bridges	1,260,959	-	353,120	1,466,659
Parking improvements	43,287	42,820	25,672	-
Downtown Development Authority	294,573	-	-	-
Transportation	169,476	34,277	48,879	68,797
Interest on long-term debt	73,696	-	-	-
Total governmental activities	6,990,587	3,545,071	447,009	1,535,456
Business-type activities - Water and sewer	2,018,771	1,287,716	2,934	744,164
Total primary government	<u>\$ 9,009,358</u>	<u>\$ 4,832,787</u>	<u>\$ 449,943</u>	<u>\$ 2,279,620</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Miscellaneous				
Gain on sale of fixed assets				
Unrestricted transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2008

Net (Expense) Revenue and Changes in Net Assets

<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (588,177)	\$ -	\$ (588,177)
213,867	-	213,867
(1,286,974)	-	(1,286,974)
558,820	-	558,820
25,205	-	25,205
(294,573)	-	(294,573)
(17,523)	-	(17,523)
<u>(73,696)</u>	<u>-</u>	<u>(73,696)</u>
(1,463,051)	-	(1,463,051)
<u>-</u>	<u>16,043</u>	<u>16,043</u>
(1,463,051)	16,043	(1,447,008)
1,856,289	-	1,856,289
545,015	-	545,015
238,917	49,949	288,866
96,335	-	96,335
36,020	-	36,020
5,126	-	5,126
<u>7,200</u>	<u>(7,200)</u>	<u>-</u>
<u>2,784,902</u>	<u>42,749</u>	<u>2,827,651</u>
1,321,851	58,792	1,380,643
<u>12,463,635</u>	<u>9,817,522</u>	<u>22,281,157</u>
<u>\$ 13,785,486</u>	<u>\$ 9,876,314</u>	<u>\$ 23,661,800</u>

Village of Milford

Governmental Funds Balance Sheet June 30, 2008

	Major Funds			Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Major Streets Fund	Police Fund		
Assets					
Cash and cash equivalents (Note 3)	\$ 879,854	\$ 71,080	\$ 3,068,985	\$ 569,936	\$ 4,589,855
Receivables:					
Customers	62,732	842	-	-	63,574
Accrued interest	8,561	571	20,686	3,427	33,245
Capital lease	81,047	-	-	-	81,047
Other	7,999	-	4,987	43,260	56,246
Due from other governmental units	92,543	42,600	-	16,000	151,143
Prepaid costs and other assets	74,096	2,656	1,150	50,655	128,557
Total assets	\$ 1,206,832	\$ 117,749	\$ 3,095,808	\$ 683,278	\$ 5,103,667
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 235,083	\$ 102,444	\$ 109,271	\$ 42,669	\$ 489,467
Accrued and other liabilities	20,641	4,648	77,759	9,053	112,101
Due to other governmental units	65,499	-	-	-	65,499
Deferred revenue (Note 12)	81,047	-	-	-	81,047
Total liabilities	402,270	107,092	187,030	51,722	748,114
Fund Balances					
Reserved for:					
Prepaid costs	74,096	2,656	1,150	50,655	128,557
Refuse collection	6,009	-	-	-	6,009
Unreserved, reported in:					
General Fund:					
Designated for subsequent year's expenditures	104,417	-	-	-	104,417
Undesignated	620,040	-	-	-	620,040
Special Revenue Funds:					
Designated for subsequent year's expenditures	-	8,001	1,664,700	72,695	1,745,396
Undesignated	-	-	1,242,928	508,206	1,751,134
Total fund balances	804,562	10,657	2,908,778	631,556	4,355,553
Total liabilities and fund balances	\$ 1,206,832	\$ 117,749	\$ 3,095,808	\$ 683,278	\$ 5,103,667

Village of Milford

Governmental Funds Reconciliation of Fund Balance to the Statement of Net Assets Year Ended June 30, 2008

Total Fund Balances for Governmental Funds	\$ 4,355,553
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	10,885,274
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(1,783,865)
Interest amounts on long-term liabilities are not payable until due in the funds	(12,589)
Long-term receivables are not available in the current period and are not available to pay for current year expenditures	81,047
Net pension asset not recorded in the modified accrual statements	206,464
Investment in a joint venture is not a financial resource and is not reported in the funds	<u>53,602</u>
Net Assets of Governmental Activities	<u>\$ 13,785,486</u>

Village of Milford

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

	Major Funds			Other	Total
	General	Major Streets	Police	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Revenue					
Property taxes	\$ 1,359,229	\$ -	\$ -	\$ 502,085	\$ 1,861,314
State-shared revenues	535,866	252,996	-	165,651	954,513
Federal sources	8,086	-	-	-	8,086
Licenses and permits	85,676	-	-	-	85,676
Interest	78,965	5,907	123,810	30,235	238,917
Charges for services	201,463	-	3,181,571	-	3,383,034
Other	164,914	69,137	10,059	103,074	347,184
Fines and forfeitures	7,200	-	-	51,405	58,605
Special assessments	-	-	-	25,672	25,672
Total revenue	2,441,399	328,040	3,315,440	878,122	6,963,001
Expenditures					
Current:					
General government	715,702	-	-	-	715,702
Public safety - Building inspection	135,206	-	2,978,323	-	3,113,529
Public works	1,299,868	-	-	-	1,299,868
Highways, streets, and bridges	-	676,311	-	272,810	949,121
Parking improvements	-	-	-	49,756	49,756
Building improvements	-	-	-	122,440	122,440
Other	-	-	-	333,776	333,776
Retiree healthcare benefits	-	-	-	53,879	53,879
Debt service:					
Principal retirement	21,726	-	-	90,000	111,726
Interest and fiscal charges	6,697	-	-	68,413	75,110
Total expenditures	2,179,199	676,311	2,978,323	991,074	6,824,907
Excess of Revenue Over (Under) Expenditures	262,200	(348,271)	337,117	(112,952)	138,094
Other Financing Sources (Uses)					
Insurance proceeds	73,807	-	-	-	73,807
Operating transfers in (Note 5)	-	-	-	249,385	249,385
Operating transfers out (Note 5)	(174,275)	-	(67,025)	(885)	(242,185)
Total other financing sources (uses)	(100,468)	-	(67,025)	248,500	81,007
Net Change in Fund Balances	161,732	(348,271)	270,092	135,548	219,101
Fund Balances - Beginning of year	642,830	358,928	2,638,686	496,008	4,136,452
Fund Balances - End of year	<u>\$ 804,562</u>	<u>\$ 10,657</u>	<u>\$ 2,908,778</u>	<u>\$ 631,556</u>	<u>\$ 4,355,553</u>

Village of Milford

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 219,101
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation:

Capital outlay expenditures	2,016,692
Depreciation	(1,137,292)

Change in equity interest in a joint venture is not recorded in the governmental funds	3,164
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Principal payment on long-term receivable is revenue in the governmental funds, but not in the statement of activities	(1,657)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	112,015
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Net pension asset is recorded as an expenditure in the governmental funds, but not in the statement of activities (where it is recorded as an asset and amortized)	104,379
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Net decrease in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	4,324
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Change in accrued interest is not recorded in the governmental funds	1,125
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Change in Net Assets of Governmental Activities	<u>\$ 1,321,851</u>
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Village of Milford

Proprietary Fund Statement of Net Assets June 30, 2008

	Enterprise Fund - Water and Sewer
Assets	
Cash and cash equivalents (Note 3)	\$ 819,443
Receivables:	
Customer	617,322
Accrued interest	5,238
Prepaid costs	<u>1,272</u>
Total current assets	1,443,275
Noncurrent assets - Capital assets (Note 4)	<u>12,236,112</u>
Total assets	13,679,387
Liabilities	
Current liabilities:	
Accounts payable	113,598
Accrued and other liabilities	114,475
Current portion of long-term debt (Note 6)	<u>235,000</u>
Total current liabilities	463,073
Noncurrent liabilities - Long-term debt - Net of current portion (Note 6)	<u>3,340,000</u>
Total liabilities	<u>3,803,073</u>
Net Assets	
Invested in capital assets - Net of related debt	8,661,112
Unrestricted	<u>1,215,202</u>
Total net assets	<u><u>\$ 9,876,314</u></u>

Village of Milford

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2008

	Enterprise Fund - Water and Sewer
Operating Revenue	
Water and sewer billings	\$ 1,287,716
Miscellaneous	2,934
Total operating revenue	1,290,650
Operating Expenses	
Salaries and wages	508,100
Benefits	223,240
Operating supplies	80,475
Utilities	172,590
Equipment rental	27,287
Consulting	11,871
Contracted services	109,523
Maintenance	47,387
Insurance	45,947
Depreciation	634,108
Miscellaneous	6,264
Data processing	34,089
Total operating expenses	1,900,881
Operating Loss	(610,231)
Nonoperating Revenue (Expense)	
Investment income	49,949
Interest expense	(117,890)
Connection fees	174,209
Total nonoperating revenue	106,268
Capital Contributions	569,955
Transfer to Other Funds (Note 5)	(7,200)
Change in Net Assets	58,792
Net Assets - Beginning of year	9,817,522
Net Assets - End of year	<u><u>\$ 9,876,314</u></u>

Village of Milford

Proprietary Fund Statement of Cash Flows Year Ended June 30, 2008

	Enterprise Fund - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,290,729
Payments to suppliers	(486,222)
Payments to employees	(706,857)
Other operating revenues	2,934
Net cash provided by operating activities	100,584
Cash Flows from Capital and Related Financing Activities	
Connection fees	174,209
Proceeds from capital contributions	539,654
Interest paid on long-term debt	(119,530)
Purchase of capital assets	(325,507)
Principal paid on capital debt	(235,000)
Net cash provided by capital and related financing activities	33,826
Cash Flows from Investing Activities - Interest received on cash and investments	53,506
Cash Flows from Noncapital Financing Activities - Transfers out	(7,200)
Net Increase in Cash and Cash Equivalents	180,716
Cash and Cash Equivalents - Beginning of year	638,727
Cash and Cash Equivalents - End of year	<u><u>\$ 819,443</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (610,231)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	634,108
Changes in assets and liabilities:	
Receivables	3,013
Prepaid costs	(1,272)
Accounts payable	50,483
Accrued and other liabilities	24,483
Net cash provided by operating activities	<u><u>\$ 100,584</u></u>

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2008, the Water and Sewer Fund received \$30,301 of water lines donated by developers. These lines were recorded as capital assets.

Village of Milford

Fiduciary Funds Statement of Assets and Liabilities June 30, 2008

	<u>Agency Funds</u>
Assets - Cash and cash equivalents	<u><u>\$ 474,291</u></u>
Liabilities - Deposits	<u><u>\$ 474,291</u></u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Village of Milford, Michigan (the "Village") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Milford, Michigan:

Reporting Entity

The Village of Milford, Michigan is governed by an elected seven-member council. The accompanying financial statements present the Village and its component units, entities for which the Village is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Village's operations.

Blended Component Units

The Downtown Development Authority (the "Authority" or the "DDA") is governed by a 13-member board that is appointed by the Village Council. The Authority is reported as if it were part of the primary government because the Village Council retains responsibility for the activities, finances, and commitments of the Authority.

The Parking Authority is incorporated into the Village's financial statements. It is governed by a seven-member board that is appointed by the Village Council. The Village has retained responsibility for funding the Parking Authority and exercises ultimate control over it.

The Brownfield Redevelopment Financing Authority (the "Brownfield Authority") was established pursuant to Public Act 381 of 1996. The Brownfield Authority was created to promote revitalization of environmentally distressed areas within the boundaries of the Village. The Authority is reported as if it were part of the primary government because the Village Council retains responsibility for the activities, finances, and commitments of the Authority.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Note I - Summary of Significant Accounting Policies (Continued)

The Village reports the following major governmental funds:

General Fund - The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Streets Fund - The Major Streets Fund is used to account for the state gas and weight tax revenues that are restricted for use on major roads.

Police Fund - The Police Fund accounts for the activities of the Village's police department.

The Village reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Additionally, the Village reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Agency Fund - The Agency Fund is used to account for assets held by the Village in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Village has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

Note I - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 1 of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the Village, assessed as of December 31, 2006, totaled approximately \$277,106,000 (a portion of which is captured by the DDA), on which ad valorem taxes levied consisted of 3.4931 mills for operating purposes and 2.0029 mills for refuse collection. The ad valorem taxes levied raised approximately \$853,000 for operating and \$490,000 for refuse collection, which is recorded in the General Fund as tax revenue. The Downtown Development Authority additionally levied 1.747 mills in its district, resulting in approximately \$94,000 of revenue recorded in the Downtown Development Authority Fund.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings	10 to 50 years
Equipment	3 to 10 years
Furniture	10 years
Vehicles	3 to 5 years
Land improvements	15 years
Treatment plant/Iron removal plant	5 to 50 years
Water lines	10 to 50 years
Sewer system	50 years
Streets, sidewalks, and bridges	15 to 50 years

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Deferred Revenue - Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period.

Long-term Obligations - In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data - Comparative data is not included in the Village's financial statements.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Village of Milford

Notes to Financial Statements June 30, 2008

Note 2 - Construction Code Fees

Construction Code Fees - The Village oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building construction codes. The Village charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative excess generated since January 1, 2000 is as follows:

Building permit revenue		\$ 85,676
Construction code direct expenses	\$ 135,206	
Construction code indirect expenses	<u>36,818</u>	
Total expenses		<u>172,024</u>
Expenses in excess of revenues		(86,348)
Cumulative shortfall - July 1, 2007		<u>(104,071)</u>
Cumulative shortfall - June 30, 2008		<u><u>\$ (190,419)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Village is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. To the extent that cash from various funds has been pooled in an investment vehicle, related investment income is allocated to each fund based on relative participation in the pool, except that Agency Funds investment earnings are allocated to the General Fund.

The Village's investment policy, adopted in accordance with state law, permits the Village to invest in investment pools organized under the Surplus Funds Investment Act of 1982 and under the Investment Company Act of 1940.

Note 3 - Deposits and Investments (Continued)

The Village has designated eight banks for the deposit of its funds. The Village of Milford's deposits and investment policies are in accordance with statutory authority.

The Village's cash and investments are subject to two types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had approximately \$3,030,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating Organization	Rating
Comerica J Fund	\$ 113,746	S&P, Moody's	AI, PI
Oakland County Investment Pool	1,081,538	N/A	Unrated
Chase Investment Pool Fund	142,824	Moody's	Aaa
Ambassador Money Market Fund	446,962	N/A	Unrated
MBIA Class	1,012	N/A	Unrated

Village of Milford

Notes to Financial Statements June 30, 2008

Note 4 - Capital Assets

Capital asset activity of the Village's governmental and business-type activities was as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 341,660	\$ -	\$ -	\$ 341,660
Construction in progress	549,525	1,759,984	-	2,309,509
Subtotal	891,185	1,759,984	-	2,651,169
Capital assets being depreciated:				
Equipment	2,320,643	42,903	160,215	2,203,331
Furniture	26,249	-	-	26,249
Streets, sidewalks, and bridges	14,645,553	26,121	-	14,671,674
Vehicles	453,340	187,684	48,164	592,860
Land improvements	423,810	-	-	423,810
Buildings	1,973,999	-	-	1,973,999
Subtotal	19,843,594	256,708	208,379	19,891,923
Accumulated depreciation:				
Equipment	1,185,586	135,784	160,215	1,161,155
Furniture	16,984	1,245	-	18,229
Streets, sidewalks, and bridges	8,143,699	834,765	-	8,978,464
Vehicles	341,274	102,980	48,164	396,090
Land improvements	135,800	12,244	-	148,044
Buildings	905,562	50,274	-	955,836
Subtotal	10,728,905	1,137,292	208,379	11,657,818
Net capital assets being depreciated	9,114,689	(880,584)	-	8,234,105
Net capital assets	\$ 10,005,874	\$ 879,400	\$ -	\$ 10,885,274

Village of Milford

Notes to Financial Statements June 30, 2008

Note 4 - Capital Assets (Continued)

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Business-type Activities				
Capital assets not being depreciated -				
Construction in progress	\$ 25,956	\$ 162,000	\$ 25,956	\$ 162,000
Capital assets being depreciated:				
Treatment plant	8,291,530	25,419	6,055	8,310,894
Sewer equipment	762,172	115,688	-	877,860
Vehicles	126,197	-	-	126,197
Water lines	9,032,045	46,549	-	9,078,594
Sewer system	3,723,443	32,108	-	3,755,551
Iron removal plant	530,636	-	-	530,636
Subtotal	22,466,023	219,764	6,055	22,679,732
Accumulated depreciation:				
Treatment plant	5,385,888	272,499	6,055	5,652,332
Sewer equipment	479,499	48,670	-	528,169
Vehicles	120,530	5,536	-	126,066
Water lines	2,303,821	231,133	-	2,534,954
Sewer system	1,333,814	64,610	-	1,398,424
Iron removal plant	354,015	11,660	-	365,675
Subtotal	9,977,567	634,108	6,055	10,605,620
Net capital assets being depreciated	12,488,456	(414,344)	-	12,074,112
Net capital assets	<u>\$ 12,514,412</u>	<u>\$ (252,344)</u>	<u>\$ 25,956</u>	<u>\$ 12,236,112</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 109,656
Public safety	81,314
Public works	75,218
Downtown development	85,990
Streets	780,425
Parking	4,689
Total governmental activities	<u>\$ 1,137,292</u>
Business-type activities - Water/Sewer	<u>\$ 634,108</u>

Village of Milford

Notes to Financial Statements June 30, 2008

Note 5 - Interfund Transfers

The composition of interfund transfers is as follows:

Transfers out from the General Fund to the following funds:

Local Street Fund for street construction	\$ 145,350
Retiree Health Care Fund for future retiree healthcare costs	11,225
Senior Citizen Transportation for Highland-Milford Transportation	<u>17,700</u>

Total General Fund transfers out	174,275
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Transfers out from the Police Fund to the Retiree Health Care Fund for future healthcare costs	67,025
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Transfers out from the Downtown Development Authority to the Retiree Health Care Fund for future healthcare costs	<u>885</u>
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Total governmental funds transfers out	242,185
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Transfers out from the Water and Sewer Fund to the Retiree Health Care Fund for future healthcare costs	<u>7,200</u>
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Total transfers	<u><u>\$ 249,385</u></u>
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Village of Milford

Notes to Financial Statements June 30, 2008

Note 6 - Long-term Debt

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
1999 Downtown Development							
Authority Bonds:							
Amount of issue - \$700,000	5.20%-	\$40,000-					
Maturing through 2018	5.75%	\$55,000	\$ 555,000	\$ -	\$ (40,000)	\$ 515,000	\$ 45,000
2002 Downtown Development							
Authority Bonds:							
Amount of issue - \$900,000	4.20%-	\$50,000-					
Maturing through 2018	5.15%	\$100,000	775,000	-	(50,000)	725,000	50,000
HVAC installment purchase:							
Amount of issue - \$98,000	3.5%	\$20,262-					
Maturing through 2009		\$20,971	41,233	-	(20,262)	20,971	20,971
Land contract:							
Amount of issue - \$92,190	6.0%	\$1,753-					
Maturing through 2030		\$6,318	82,402	-	(1,753)	80,649	1,859
Total general obligation bonds, installment purchases, and land contracts			1,453,635	-	(112,015)	1,341,620	117,830
Other general obligations -							
Accumulated employee benefits			446,569	253,469	(257,793)	442,245	271,118
Total governmental activities			<u>\$ 1,900,204</u>	<u>\$ 253,469</u>	<u>\$ (369,808)</u>	<u>\$ 1,783,865</u>	<u>\$ 388,948</u>

Village of Milford

Notes to Financial Statements June 30, 2008

Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
County contractual obligations:							
1997 Water Supply System:							
Amount of issue - \$900,000	5.00% -	\$50,000-					
Maturing through 2017	5.50%	\$75,000	\$ 600,000	\$ -	\$ (50,000)	\$ 550,000	\$ 50,000
1999 Water Supply System:							
Amount of issue - \$400,000	5.50%	\$20,000-					
Maturing through 2018		\$45,000	295,000	-	(20,000)	275,000	20,000
Revenue bonds:							
2001 Water Supply Revenue Bonds:							
Amount of issue - \$1,905,000	2.50%	\$85,000-					
Maturing through 2021		\$120,000	1,515,000	-	(85,000)	1,430,000	85,000
2002 Water Supply Revenue Bonds:							
Amount of issue - \$1,760,000	2.50%	\$80,000-					
Maturing through 2022		\$110,000	1,400,000	-	(80,000)	1,320,000	80,000
Total business-type activities			<u>\$ 3,810,000</u>	<u>\$ -</u>	<u>\$ (235,000)</u>	<u>\$ 3,575,000</u>	<u>\$ 235,000</u>

Annual debt service requirements to maturity for the Village's long-term obligations, excluding compensated absences and the provision for potential tax adjustments, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 117,830	\$ 69,205	\$ 187,035	\$ 235,000	\$ 112,413	\$ 347,413
2010	101,970	63,875	165,845	245,000	104,525	349,525
2011	102,088	58,882	160,970	250,000	96,275	346,275
2012	102,214	53,806	156,020	255,000	87,813	342,813
2013	127,346	48,649	175,995	260,000	79,263	339,263
2014-2018	734,021	138,552	872,573	1,445,000	248,888	1,693,888
2019-2023	18,763	14,725	33,488	885,000	50,375	935,375
2024-2028	25,109	8,379	33,488	-	-	-
2029-2030	12,279	1,116	13,395	-	-	-
Total	<u>\$ 1,341,620</u>	<u>\$ 457,189</u>	<u>\$ 1,798,809</u>	<u>\$ 3,575,000</u>	<u>\$ 779,552</u>	<u>\$ 4,354,552</u>

Note 7 - Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village participates in the Michigan Municipal League risk pool for all claims.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 8 - Defined Benefit Pension Plan and Postretirement Benefits

Plan Description - The Village participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers certain employees of the Village. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's competitive bargaining units and Village Council resolution and requires no contribution from the employees, except for command officers, who are required to contribute 1.73 percent of their base pay.

**Note 8 - Defined Benefit Pension Plan and Postretirement Benefits
(Continued)**

Annual Pension Costs - For the year ended June 30, 2008, the Village's annual pension cost totaled \$271,927. The actuarial valuation required a contribution of \$274,306; the interest on the cumulative prior year overpayments (net pension asset) was \$8,167; and the effect of the net pension asset on normal cost was \$5,788. The Village additionally contributed \$102,000 to the plan toward the unfunded liability for the police. The intent of the Village is to reduce the unfunded liability by June 30, 2016. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent attributable to inflation, (c) additional salary increases of 0 percent to 8.4 percent per year, attributable to seniority/merit, and (d) the assumption that benefits will increase 4.5 percent per year annually after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on an open basis. The remaining amortization period ranges from 18 to 30 years depending on the division.

Three-year trend information as of June 30 follows:

	Fiscal Year Ended June 30		
	2006	2007	2008
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 236,946	\$ 253,457	\$ 274,306
Percentage of APC contributed	100%	140%	137%
Net pension obligation (asset)	\$ -	\$ (102,085)	\$ (206,464)
	Actuarial Valuation as of December 31		
	2005	2006	2007
Actuarial value of assets	\$ 6,003,693	\$ 6,326,257	\$ 6,814,366
Actuarial accrued liability (AAL) (entry age)	\$ 8,119,486	\$ 9,144,437	\$ 10,029,580
Unfunded AAL (UAAL)	\$ 2,115,793	\$ 2,818,180	\$ 3,215,214
Funded ratio	74%	69%	68%
Covered payroll	\$ 1,922,071	\$ 1,901,777	\$ 1,957,833
UAAL as a percentage of covered payroll	110%	148%	164%

Note 9 - Defined Contribution Pension Plan

The Village provides pension benefits to nearly all of its nonunion and Department of Public Works employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Village Council, the Village contributes 12 percent of nonunion employees' gross earnings and nonunion employees contribute 2 percent of earnings. The Village also contributes 11 percent of the Department of Public Works employees' gross earnings and those employees do not contribute to the plan. In accordance with these requirements, the Village contributed \$120,518 and employees contributed \$28,276 during the current year.

Note 10 - Joint Ventures

The Village is a member of the Western Oakland County Cable Commission Authority (the "Cable Authority"), which provides cable services to the residents of the Villages of Milford and Wolverine Lake, the Townships of Commerce, Highland, Lyon, Milford, and White Lake, and the cities of Walled Lake and Wixom. The Cable Authority receives a management fee from the cable television company and currently receives a portion of the Village's franchise fees. The Village is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The financial statement for the joint venture is available for inspection at the Village offices. The investment in the Cable Authority of \$53,602 is recorded in the statement of net assets.

Note 11 - Postemployment Benefits

The Village provides healthcare benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 12 retirees are eligible. The Village includes pre-Medicare retirees and their dependents in its insured healthcare plan, with contributions ranging from \$300 to \$730 required by the participant.

The Village provides Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$60,000.

Note 11 - Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Note 12 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. The Village has deferred revenue and an accompanying long-term receivable at the end of the fiscal year in the amount of \$81,047 relating to a long-term lease entered into with the YMCA.

Required Supplemental Information

Village of Milford

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 1,368,225	\$ 1,373,825	\$ 1,359,229	\$ (14,596)
Federal sources	424,089	36,489	8,086	(28,403)
State sources	550,925	535,225	535,866	641
Licenses and permits	100,000	90,000	85,676	(4,324)
Fines and forfeitures	9,000	9,000	7,200	(1,800)
Charges for services	173,000	189,000	201,463	12,463
Interest income	91,000	64,000	78,965	14,965
Insurance proceeds	-	-	73,807	73,807
Other	136,728	153,728	164,914	11,186
Total revenues	<u>\$ 2,852,967</u>	<u>\$ 2,451,267</u>	<u>\$ 2,515,206</u>	<u>\$ 63,939</u>
Expenditures				
General government:				
General administration	\$ 232,510	\$ 176,573	\$ 121,838	\$ 54,735
Council	12,225	15,075	14,618	457
Elections	3,750	3,875	3,824	51
Manager	117,050	114,900	114,223	677
Treasurer	79,900	78,550	76,991	1,559
Clerk	93,025	89,425	87,945	1,480
Civic Center	81,575	78,075	71,424	6,651
Planning Commission	80,800	71,700	67,441	4,259
Zoning Board of Appeals	25,325	25,325	23,042	2,283
Legal	38,000	35,125	34,090	1,035
Data processing	85,350	85,375	78,073	7,302
Beautification Commission	4,000	-	-	-
Ordinance enforcement	24,750	22,350	17,107	5,243
CDBG	17,089	8,489	5,086	3,403
Total general government	895,349	804,837	715,702	89,135
Public safety - Building inspection	137,650	134,825	135,206	(381)
Public works:				
Department of Public Works	289,025	335,425	354,245	(18,820)
Sanitation	511,725	511,725	500,635	11,090
Fleet maintenance	165,250	167,450	170,942	(3,492)
Street maintenance	49,600	52,625	51,498	1,127
Landfill	80,000	77,000	82,311	(5,311)
Parks and recreation	553,375	169,450	140,237	29,213
Total public works	1,648,975	1,313,675	1,299,868	13,807
Principal retirement	22,030	21,725	21,726	(1)
Interest	6,400	6,705	6,697	8
Transfers to other funds	152,075	169,500	174,275	(4,775)
Total expenditures	<u>\$ 2,862,479</u>	<u>\$ 2,451,267</u>	<u>\$ 2,353,474</u>	<u>\$ 97,793</u>

Village of Milford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Major Street Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
State sources	\$ 255,000	\$ 255,000	\$ 252,996	\$ (2,004)
Grant	1,340,000	1,340,000	-	(1,340,000)
Interest income	8,000	12,000	5,907	(6,093)
Miscellaneous	-	-	69,137	69,137
Total revenues	<u>\$ 1,603,000</u>	<u>\$ 1,607,000</u>	<u>\$ 328,040</u>	<u>\$ (1,278,960)</u>
Expenditures - General government -				
Highways, streets, and bridges	<u>\$ 1,851,788</u>	<u>\$ 1,885,138</u>	<u>\$ 676,311</u>	<u>\$ 1,208,827</u>

Village of Milford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Police Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Charges for services	\$ 3,087,600	\$ 3,263,100	\$ 3,181,571	\$ (81,529)
Interest income	85,000	85,000	123,810	38,810
Other income	<u>6,000</u>	<u>10,950</u>	<u>10,059</u>	<u>(891)</u>
Total revenues	<u>\$ 3,178,600</u>	<u>\$ 3,359,050</u>	<u>\$ 3,315,440</u>	<u>\$ (43,610)</u>
Expenditures				
Public safety	\$ 3,145,235	\$ 3,292,025	\$ 2,978,323	\$ 313,702
Transfers to other funds	<u>93,075</u>	<u>67,025</u>	<u>67,025</u>	<u>-</u>
Total expenditures	<u>\$ 3,238,310</u>	<u>\$ 3,359,050</u>	<u>\$ 3,045,348</u>	<u>\$ 313,702</u>

Village of Milford

Note to Required Supplemental Information Year Ended June 30, 2008

Note - Budgetary Information

Budgetary Information - The annual budgets are prepared by the Village manager and adopted by the Village Council; subsequent amendments are approved by the Village Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2008 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budgets for the General Fund and Special Revenue Funds have been prepared in accordance with accounting principles generally accepted in the United States of America, with the exception that operating transfers and insurance proceeds have been included in the "revenue" and/or "expenditures" categories, rather than as "other financing sources (uses)."

The budgets have been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budgets of the General Fund, Major Streets Fund, and Police Fund, as adopted by the Village Council, is included in the required supplemental information of the basic financial statements. A comparison of the actual results of operations to the nonmajor Special Revenue Funds budgets, as adopted by the Village, are available at the Village offices for inspection.

There were no significant expenditure budget overruns for the year ended June 30, 2008.

Other Supplemental Information

Village of Milford

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

	Special Revenue Funds							Total Nonmajor
	Local Street	Drug Law Enforcement	Downtown Development Authority	Parking	Senior Van	Retiree Health Care	Brownfield Redevelopment Authority	Governmental Funds
Assets								
Cash and investments	\$ 944	\$ 19,826	\$ 257,118	\$ 101,015	\$ 348	\$ 189,454	\$ 1,231	\$ 569,936
Receivables:								
Accrued interest	-	-	1,681	618	-	1,128	-	3,427
Other	-	-	-	-	43,260	-	-	43,260
Due from other governmental units	16,000	-	-	-	-	-	-	16,000
Prepaid expenses and other	2,655	-	48,000	-	-	-	-	50,655
Total assets	<u>\$ 19,599</u>	<u>\$ 19,826</u>	<u>\$ 306,799</u>	<u>\$ 101,633</u>	<u>\$ 43,608</u>	<u>\$ 190,582</u>	<u>\$ 1,231</u>	<u>\$ 683,278</u>
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 12,010	\$ 3,949	\$ 26,119	\$ -	\$ 591	\$ -	\$ -	\$ 42,669
Accrued and other liabilities	2,353	2,674	1,950	775	1,301	-	-	9,053
Total liabilities	14,363	6,623	28,069	775	1,892	-	-	51,722
Fund Balances								
Reserved for prepaid costs	2,655	-	48,000	-	-	-	-	50,655
Unreserved:								
Designated for subsequent year's expenditures	-	-	35,250	24,100	13,345	-	-	72,695
Undesignated	2,581	13,203	195,480	76,758	28,371	190,582	1,231	508,206
Total fund balances	5,236	13,203	278,730	100,858	41,716	190,582	1,231	631,556
Total liabilities and fund balances	<u>\$ 19,599</u>	<u>\$ 19,826</u>	<u>\$ 306,799</u>	<u>\$ 101,633</u>	<u>\$ 43,608</u>	<u>\$ 190,582</u>	<u>\$ 1,231</u>	<u>\$ 683,278</u>

Village of Milford

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended June 30, 2008

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Local Street	Drug Law Enforcement	Downtown Development Authority	Parking	Senior Van	Retiree Health Care	Brownfield Redevelopment Authority	
Revenue								
Property taxes	\$ -	\$ -	\$ 501,217	\$ -	\$ -	\$ -	\$ 868	\$ 502,085
State-shared revenue	116,772	-	-	-	48,879	-	-	165,651
Interest	39	-	17,441	4,902	-	7,853	-	30,235
Other revenue	-	-	-	-	103,074	-	-	103,074
Fines and forfeitures	-	8,585	-	42,820	-	-	-	51,405
Special assessments	-	-	-	25,672	-	-	-	25,672
Total revenue	116,811	8,585	518,658	73,394	151,953	7,853	868	878,122
Expenditures								
Highways, streets, and bridges	272,810	-	-	-	-	-	-	272,810
Parking improvements	-	-	-	49,756	-	-	-	49,756
Building improvements	-	-	122,440	-	-	-	-	122,440
Other	-	6,950	157,350	-	169,476	-	-	333,776
Retiree health care	-	-	-	-	-	53,879	-	53,879
Debt service:								
Principal retirement	-	-	90,000	-	-	-	-	90,000
Interest and fiscal charges	-	-	68,413	-	-	-	-	68,413
Total expenditures	272,810	6,950	438,203	49,756	169,476	53,879	-	991,074
Excess of Revenue Over (Under) Expenditures	(155,999)	1,635	80,455	23,638	(17,523)	(46,026)	868	(112,952)
Other Financing Sources (Uses)								
Operating transfers in	145,350	-	-	-	17,700	86,335	-	249,385
Operating transfers out	-	-	(885)	-	-	-	-	(885)
Total other financing sources (uses)	145,350	-	(885)	-	17,700	86,335	-	248,500
Net Change in Fund Balances	(10,649)	1,635	79,570	23,638	177	40,309	868	135,548
Fund Balances - Beginning of year	15,885	11,568	199,160	77,220	41,539	150,273	363	496,008
Fund Balances - End of year	<u>\$ 5,236</u>	<u>\$ 13,203</u>	<u>\$ 278,730</u>	<u>\$ 100,858</u>	<u>\$ 41,716</u>	<u>\$ 190,582</u>	<u>\$ 1,231</u>	<u>\$ 631,556</u>

The Village of Milford

**Report to the Village Council
June 30, 2008**



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To the Village Council
Village of Milford

We have recently completed our audit of the basic financial statements of the Village of Milford (the "Village") for the year ended June 30, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the Village:

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Results of the Audit	2-4
Other Recommendations	5-6
Informational - Legislative Matters, Etc.	7-8

We are grateful for the opportunity to be of service to the Village of Milford. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

September 10, 2008

Results of the Audit

September 10, 2008

To the Village Council
Village of Milford

We have audited the financial statements of the Village of Milford (the "Village") for the year ended June 30, 2008 and have issued our report thereon dated September 10, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 3, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Village of Milford. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 15, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Milford are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

To the Village Council
Village of Milford

We noted no transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus.

There were no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

There were no significant accounting estimates made in the preparation of the financial statements by management.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The only unrecorded item related to a difference between accumulated depreciation as recorded on the general ledger and the amount recorded on the subsidiary ledger in the amount of \$10,271. Management has determined that the effect of this item is immaterial to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated September 10, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Village Council
Village of Milford

Other Audit Findings or Issues

In the normal course of our professional association with the Village, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Village, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Village's auditors.

This information is intended solely for the use of the Village Council and management of the Village of Milford and is not intended to be and should not be used by anyone other than these specified parties. Again, we would like to thank the Village Council, Arthur Shufflebarger, Becky Jacques, and all of the Village's personnel for the courtesy and assistance extended to us during the audit. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments and recommendations at your convenience.

Very truly yours,

Plante & Moran, PLLC



Leslie J. Pulver



Wendy N. Trumbull

Other Recommendations

Additional Pension Contributions

During fiscal year 2007, the Village began making additional pension contributions in an effort to reduce or eliminate the unfunded liability related to the command, patrol, and non-union divisions. The actuary report as of December 31, 2007 showed an increase in the unfunded liability rather than a decrease despite the additional contributions. We recommend that the Village review the actuarial assumptions with the actuary to ensure that the assumptions are in-line with the Council's goals. A possible solution the Village could consider would be to change to a closed amortization period.

Informational Technology Review

As part of our testing relative to the new auditing standards, we were required to take a closer look at the general controls of the information technology system. As a result of that, we communicated several specific suggestions to the Village manager and Village treasurer.

Informational

Property Taxes and Taxable Value Changes

Challenges with property values in the current Michigan economy have been very well publicized. A number of factors are impacting the market value of properties including foreclosures, properties on the market for extended periods of time, properties selling below market value, etc. Property tax assessments have been completed for the 2008 tax year for the Village, and the state equalized value has remained flat with the 2007 tax year. The fact that there has been little to no growth in state equalized value threatens the inflationary growth in taxable value that communities had been experiencing following the passage of Proposal A. We caution the Village to keep this in mind as it reviews the expected financial results for 2008, its budget for 2009, and the next few years, especially if the state equalized value remains flat or takes a turn for the worse in the current year.

As a response to the situation with the real estate market, legislation is being discussed in Lansing to adjust the mechanics of the general property tax act. The nature of the legislation has ranged from the suspension of the “pop-up” or increase in taxable value that occurs when a property sells or a “super cap” on taxable value that prohibits an increase in taxable value when market values are declining. The outcome of this legislation could also have a significant impact on the Village.

Lastly, more personal property tax relief is also part of the new Michigan business tax. Business personal property classified as “industrial” or “commercial” will be exempt from certain personal property taxes - specifically from the State Education Tax (SET) and local school operating mills. “Industrial” personal property will receive exemptions from the six SET mills and the 18 schools operating mills (for a total of 24 mill exemptions). “Commercial” personal property will be exempt from 12 of the 18 school operating mills.

Municipal Finance Act Revisions - Reminder

The Municipal Finance Act was amended several years ago. Communities are required to submit a filing once a year with the Michigan Department of Treasury. The old 10-day “exemption from prior approval” process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. This comment is just a reminder that the current filing is due within six months following the end of the Village’s year ended June 30, 2008 and is good for one year thereafter.